

## J. C. PENNEY COMPANY ANNUAL REPORT FOR THE YEAR 1964



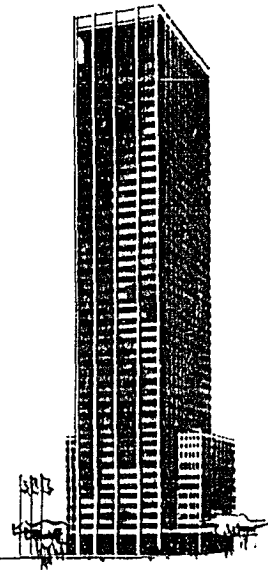




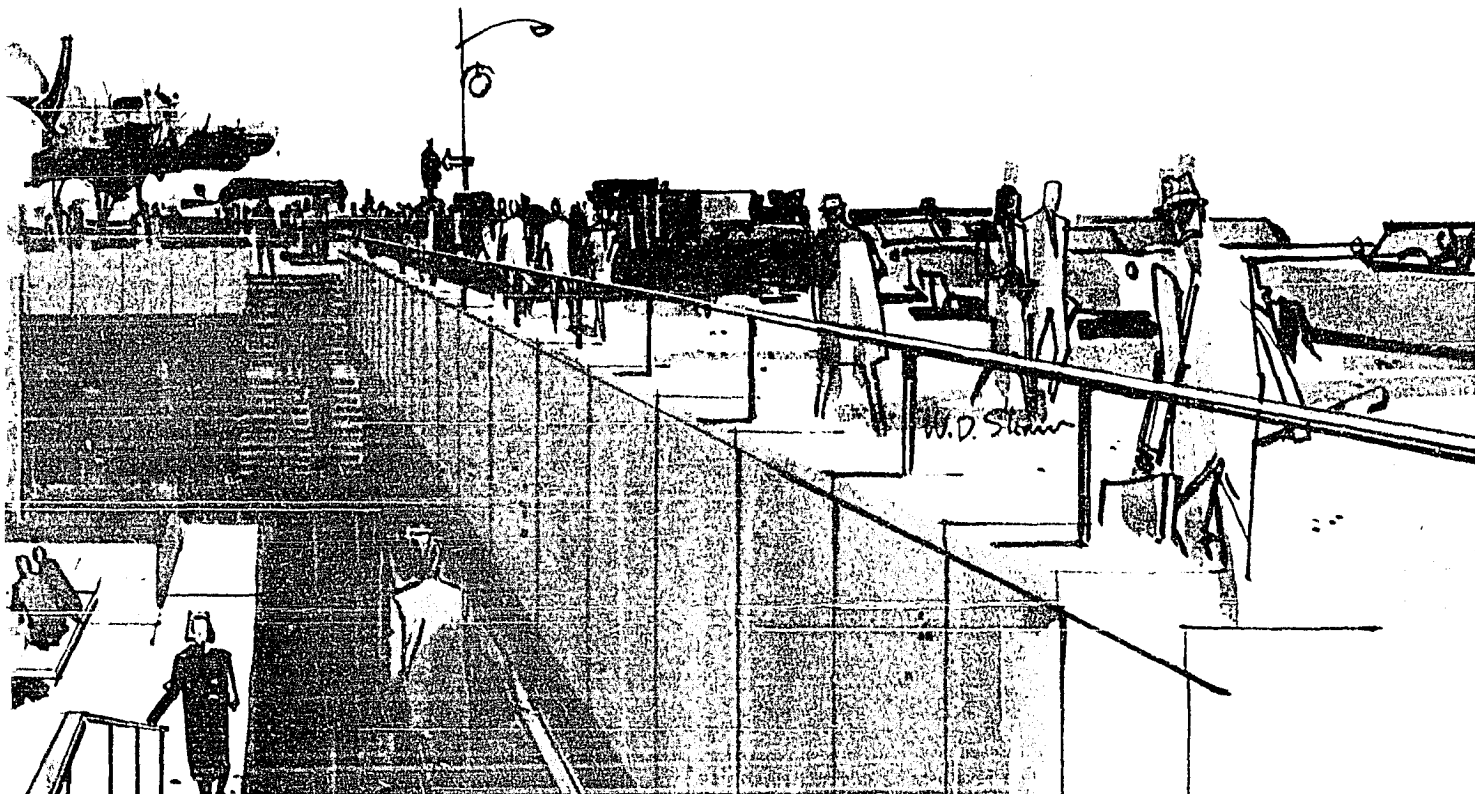
# J. C. PENNEY COMPANY ANNUAL REPORT FOR THE YEAR 1964

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*ABOUT THE COVER. Illustrated is the new 45-story J. C. Penney headquarters building at 1301 Avenue of the Americas, New York City. A front view of lower floors appears on outside cover; opposite and below, the sunken plaza including bronze statue "Transition" by Raymond Granville Barger.*



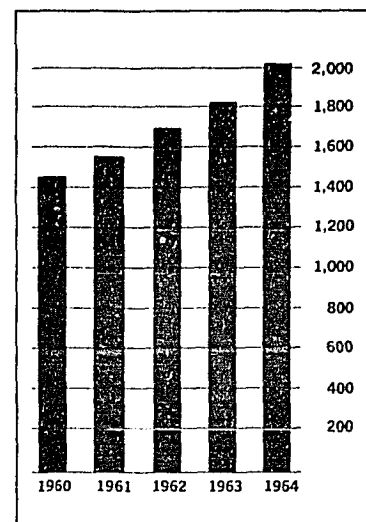
# RESULTS IN BRIEF

## FOR THE YEAR

	YEAR ENDED JANUARY 31	
	1965	1964
Sales	\$2,079,425,668	\$1,834,317,527
Net earnings	\$68,271,402	\$55,292,198
Dividends paid	\$37,406,836	\$37,391,768

## Total Sales

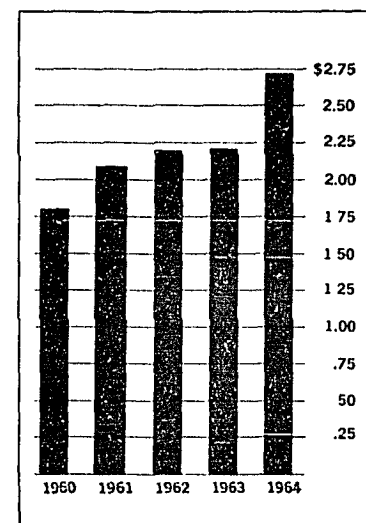
millions of dollars



## PER SHARE OF COMMON STOCK

	YEAR ENDED JANUARY 31	
	1965	1964
Net earnings	\$2.74	\$2.22
Dividends paid	\$1.50	\$1.50

## Net Earnings Per Share



## TO OUR STOCKHOLDERS



*Chairman and Chief Executive Officer William M. Batten (left) and President Ray H. Jordan before a portrait of Founder J. C. Penney.*

1964 was a good year for Penney's.

Sales and earnings again rose to record high levels.

Sales jumped 13.4 per cent, with each month showing a gain over the corresponding month of 1963.

January, 1965, was the 22nd consecutive month to register a sales increase.

Net earnings also rose significantly despite substantial and continuing expansion costs, and showed a 23.5 per cent increase over the year-ago figure.

Effective February 1, 1965, the indicated annual dividend rate was increased by 15 per cent to \$1.72½.

We take this opportunity to thank the thousands of loyal associates, vendors and others who helped make 1964 our most successful year.

Progress was made in many areas of the Company's business, as detailed in the pages that follow.

1965 will see further development of our long-range plans for broadening our lines of merchandise, opening larger and more attractive stores, building our catalog business, and in other ways widening and strengthening our appeal to the American consumer...to assure continued progress toward obtaining a larger share of the expanding consumer market.

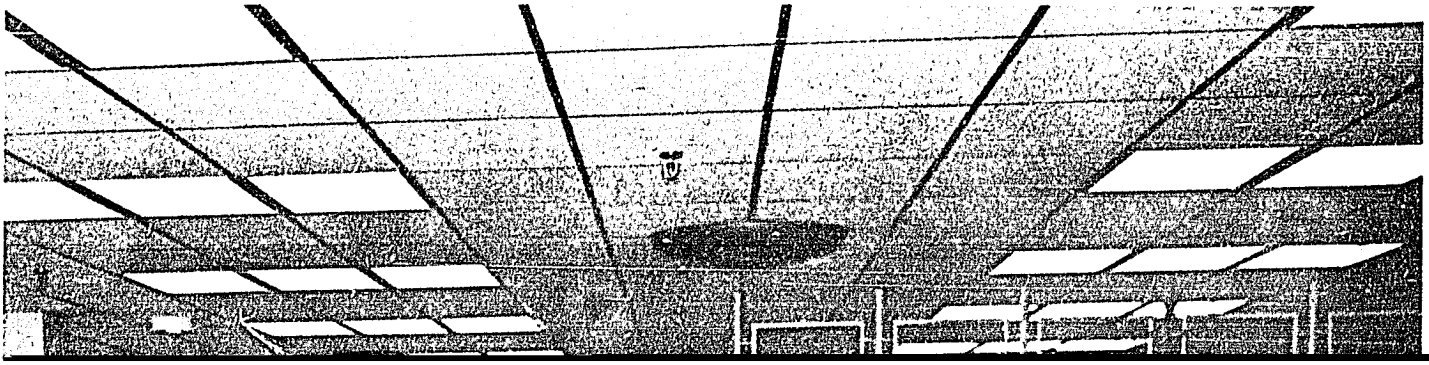
*Ray H. Jordan*

President

*William M. Batten*

Chairman of the Board

March 24, 1965



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## THE YEAR THAT PENNEY'S TOPPED THE \$2,000,000,000 SALES MARK

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It was a big year at Penney's. Sales of more than \$2 billion established a new milestone 13 years after the first billion was achieved in 1951. Last year saw more merchandise move across Penney counters than ever before in any similar period, as symbolized by the picture opposite taken at the opening of our Oklahoma City store in Shepherd Mall.

A greater diversity of merchandise was available as we continued to broaden our merchandise mix to offer more people more of the things they want and need.

Other things happened, too, as outlined elsewhere in this report.

Your Company:

---

Opened 7 stores in one day—

Leaped the Pacific

to Hawaii to map our first  
store outside continental

---

United States—

Announced plans for  
the largest retail store in  
Puerto Rico—

---

Made our first gasoline sale—

---

Added 259 new  
catalog desks—

---

Opened 32 new  
automotive centers—

---

Introduced another  
young designer, Mitzou  
of Madrid, in a continuing  
program to put more  
emphasis on fashion—

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Occupied a new  
headquarters building in  
New York—

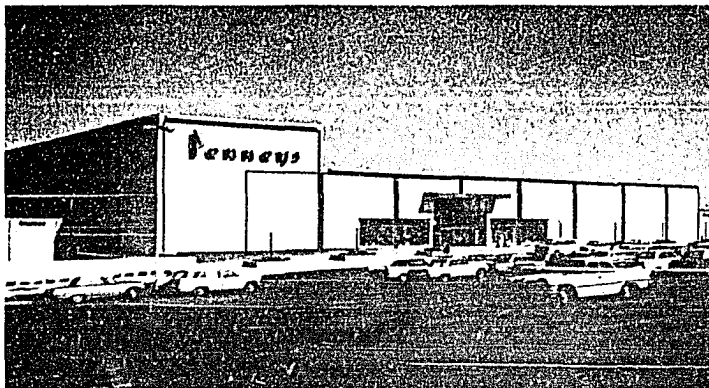
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all aimed at maintaining and expanding our position in the mainstream of retailing.

Yes, it was a big year at  
Penney's.



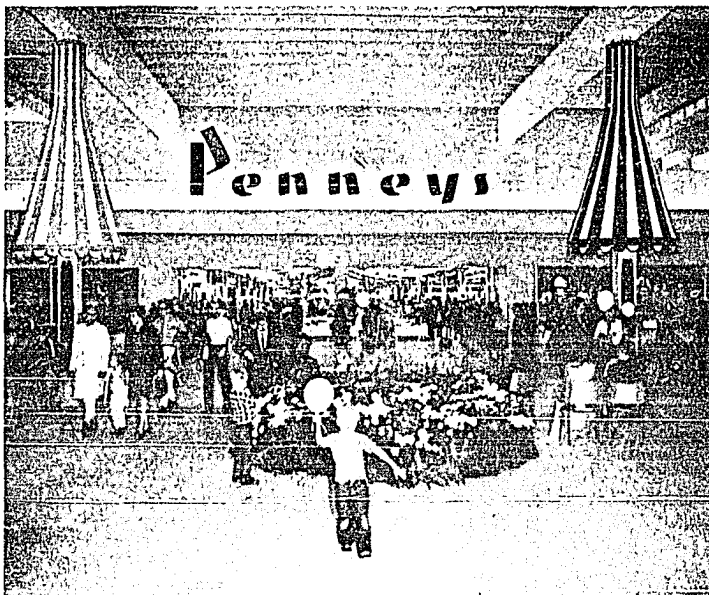
## 7 STORES OPEN ON SAME DAY



*Largest of 61 Penney stores in Kansas is at White Lakes Shopping Center, Topeka, one of the seven stores which opened on the same day last October 15. It is five times larger than the former downtown Penney's it replaces, and offers a full selection of new hard lines as well as traditional soft lines.*



*One of largest new stores to open in '64 aggregated 133,190 square feet, in Winter Park Mall, near Orlando, Florida. The store features a photography shop, a bridal shop and an auto center in addition to hard and usual soft merchandise lines.*



*Newest Penney's in the state opened last November in Oklahoma City's Shepherd Mall Shopping Center. Its 140,000 square feet also make it Oklahoma's largest Penney's. A 16-bay, free-standing automotive center opened at the same time.*

1964 was a banner year for Penney's store opening and expansion program, highlighted by the opening last October 15th of 4 Penney stores in one day. Some are shown on pages 6 and 7.

In addition, on the very same day, we opened 3 Treasure Island department stores (see page 15). Together the 7 stores added up to 745,000 square feet—and gave a new dimension to the traditional Penney image of service, convenience and value.

The new Penney store, reflecting today's trend in retailing, is much larger than its predecessor of a few years back. Last year, for example, our 24 new stores (of which 16 were existing stores moved to new buildings) averaged about 80,000 square feet, and 9 of those stores exceeded 100,000 square feet. 12 stores were closed in 1964.

Our store expansion program this year calls for a total of more than 3 million square feet of new floor space, compared with 2.1 million added in fiscal 1964. 34 new stores are scheduled to open, 26 of which will be existing stores moved to new buildings.



# 1,676 Penney Stores Serve the United States

## IN THE WEST—448

Alaska 1	Nevada 6
Arizona 21	New Mexico 20
California 158	Oregon 39
Colorado 42	Utah 25
Idaho 29	Washington 57
Montana 31	Wyoming 19

## IN THE SOUTH—459

Alabama 18	Mississippi 22
Arkansas 19	North Carolina 34
Delaware 4	Oklahoma 47
Florida 33	South Carolina 13
Georgia 22	Tennessee 25
Kentucky 23	Texas 140
Louisiana 16	Virginia 22
Maryland 8	West Virginia 13

## IN THE NORTH CENTRAL—636

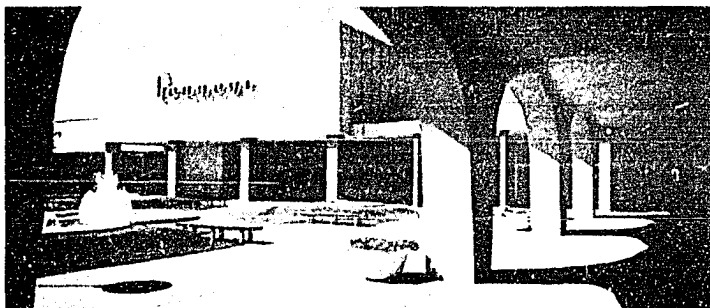
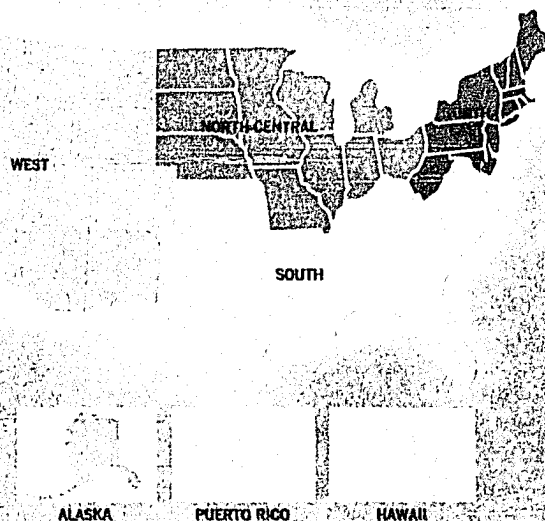
Illinois 52	Missouri 53
Indiana 56	Nebraska 39
Iowa 67	North Dakota 23
Kansas 61	Ohio 84
Michigan 57	South Dakota 22
Minnesota 60	Wisconsin 62

## IN THE NORTHEAST—133

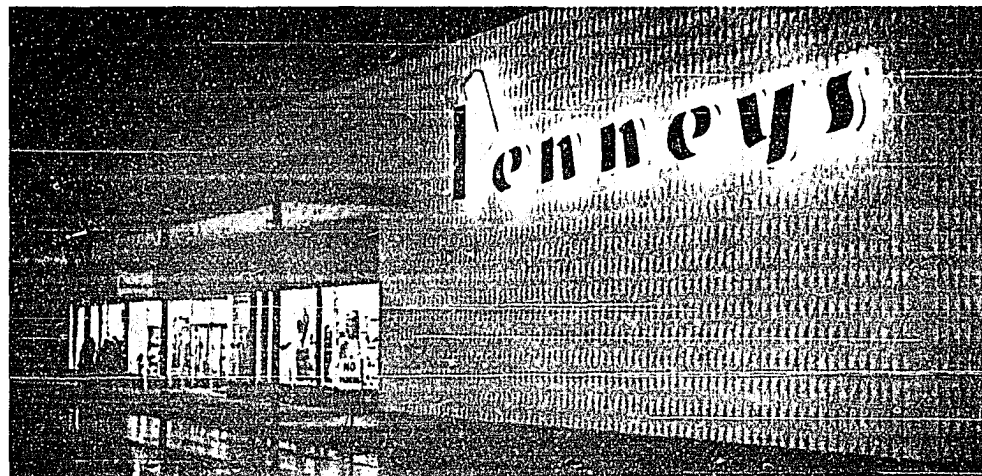
Connecticut 5	New Jersey 9
Maine 6	New York 39
Massachusetts 6	Pennsylvania 63
New Hampshire 3	Vermont 2

## THERE'S A PENNEY STORE NEAR YOU!

Nearly 1,700 stores serve continental United States, with a big, new full-line department store planned for Honolulu, Hawaii in 1966, and another in Puerto Rico. A new Anchorage, Alaska store, nearly twice the size of the original one destroyed by earthquake last March, is slated for opening late this year.



Opened last September to crowds of eager shoppers was this new Texas Penney's in Seminary South Shopping Center, Fort Worth. The 118,000-square-foot, full-line department store later opened a 14-bay auto center as part of its program of offering customers one-stop shopping service.

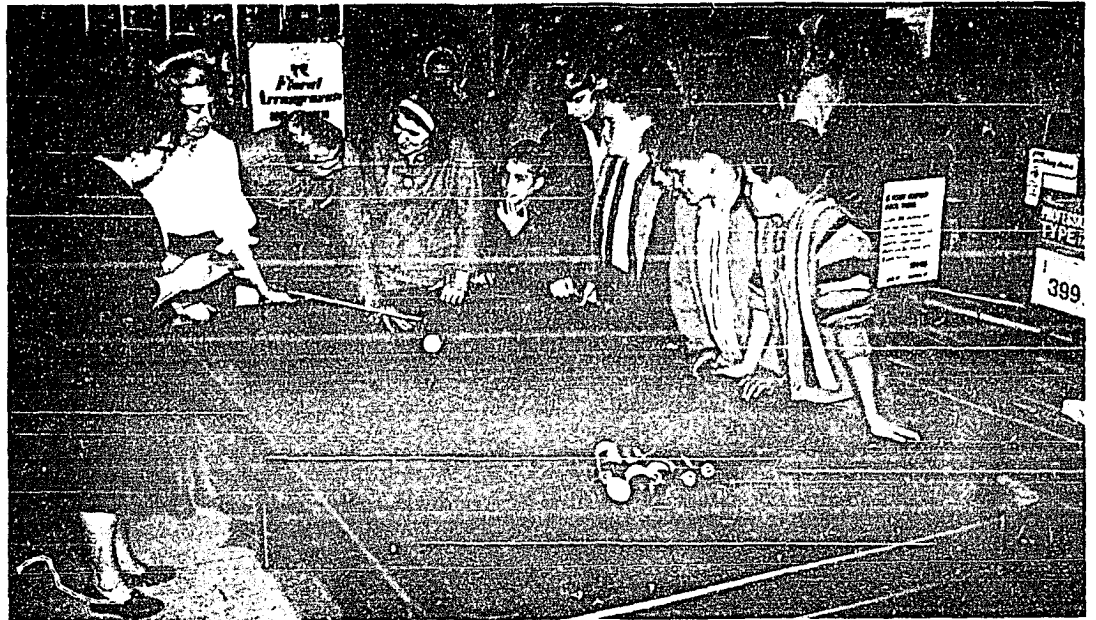


At Mid-Valley Mall Shopping Center, Newburgh, New York, Penney's opened this 80,000-square-foot, one-floor department store. Strategically located adjacent to New York's Thruway, it is part of a shopping center serving a wide area.

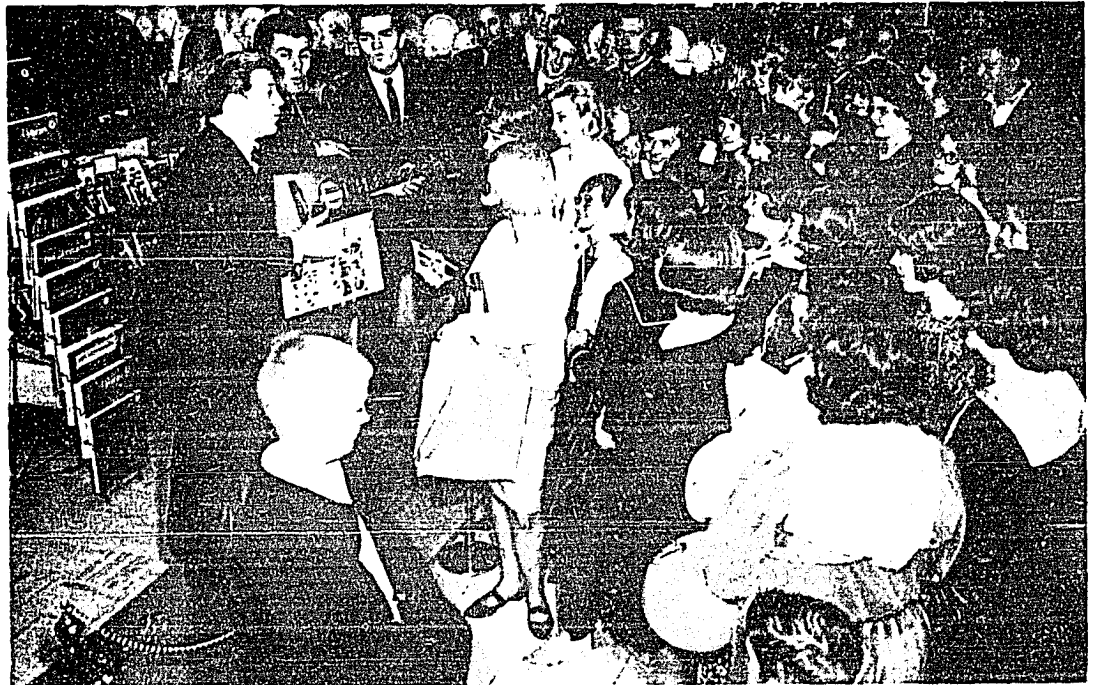
## 24 New Stores Opened

- CALIFORNIA
  - Southland Shopping Center, Hayward
  - Visalia Fair Shopping Center, Visalia
- FLORIDA
  - Winter Park Mall, Winter Park
- IDAHO
  - Bonnors Ferry □ Coeur d'Alene
- ILLINOIS
  - Colonial Village Shopping Center, Rockford
- INDIANA
  - Kokomo Mall, Kokomo
- KANSAS
  - White La'cos Shopping Center, Topeka
- MINNESOTA
  - Detroit Lakes □ Thief River Falls
- NEW YORK
  - Mid-Valley Mall, Newburgh
- NORTH CAROLINA
  - Richmond Plaza Shopping Center, Rockingham
- OHIO
  - Gallon
  - Mansfield Square Shopping Center, Mansfield
- OKLAHOMA
  - Shepherd Mall, Oklahoma City
- OREGON
  - Salem
- TENNESSEE
  - Morristown Plaza Shopping Center, Morristown
- TEXAS
  - Ferris Avenue Shopping Center, Waxahachie
  - Seminary South Shopping Center, Fort Worth
- VIRGINIA
  - Ballou Park Shopping Center, Danville
  - Pittman Plaza Shopping Center, Lynchburg
- WISCONSIN
  - Treasure Island Stores:
    - Brookfield □ Loomis Road □ West Allis

## NEW PRODUCTS BROADEN CUSTOMER APPEAL



*Pool tables, available at year's end in 64 retail stores having sporting goods departments, attract increasing customer interest.*



*Records, big with the younger set, are available in about 150 of our retail stores.*

Before the introduction of credit selling in 1958, and its subsequent installation in all Penney stores early in 1962, Penney's business was confined largely to apparel and other soft lines.

Credit selling has enabled us to broaden substantially our merchandise mix by adding refrigerators, air conditioners, color television and other big-ticket items, while requiring additional selling space to accommodate the broadened merchandise lines.

During the last year we registered further progress in our program to expand our merchandise lines for improved customer service and greater appeal in our retail stores and through our catalog operation (for the catalog story, see page 14).

On these two facing pages are illustrated several new or expanded lines and services. Most Penney merchandise is manufactured to our own specifications and is sold under our own label. All merchandise sold by Penney's has to meet rigid standards of quality and performance.



Major appliances were available in 106 retail stores as fiscal 1964 ended, and about 40 have been scheduled for 1965.



Typewriters for home and office were introduced last year, including Penney's own-label Penncrest. Both electric and manual portable models are available.



Attractive camera equipment and supplies shops were opened in 1964 to meet the widespread and growing interest in photography. Response was enthusiastic.



Nine sit-down food facilities were opened in 1964 and 13 more are planned for 1965, including coffee shops seating as many as 100 persons at one time.



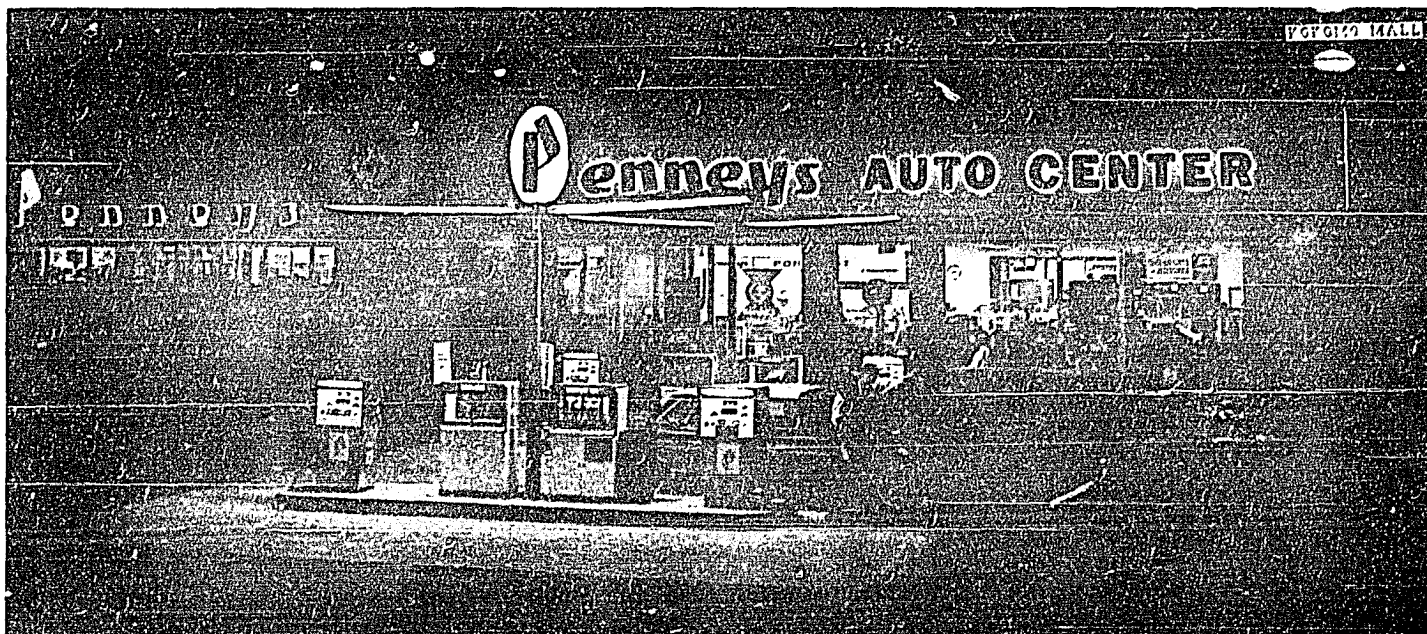
More family formations have stimulated demand for furniture for the entire home, such as we offer in selected stores.



Opening of 11 beauty salons in 1964, with 13 more planned for '65, gives emphasis to growing fashion image.



Penney's strong position in the children's apparel field made introduction of portrait studios a "natural," as infants and teenagers constitute the biggest market.



*Penney's Kokomo Mall auto center, where the Company made its first gasoline sale last spring, offers customers a choice of five grades of gas economy, regular, custom, premium and super-premium.*

## THE YEAR WE MADE OUR FIRST SALE OF GASOLINE



*"Old-time" personal service is included at Penney auto centers.*

Another milestone was reached during 1964 in our continuing program to serve the large and growing needs of automotive customers.

On May 14th the first sale of gasoline by Penney's was made in Indiana with the opening of our new auto center in Kokomo Mall. The Kokomo Mall store, situated about 2½ miles from the center of downtown Kokomo, has a square footage total of about 84,000 including an 8-bay auto center. This new store replaces a 17,700-square-foot downtown unit we first opened in 1925.

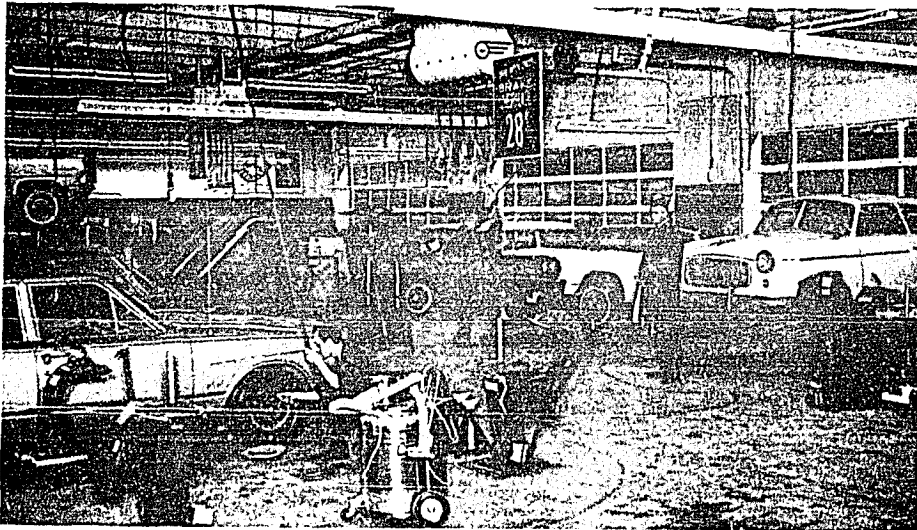
Penney's entered the automotive business in August of 1963

at Melbourne, Florida, selling tires, batteries and accessories. At the end of fiscal 1964 we had opened a total of 41 such centers. The program will be further accelerated this year as about 60 new auto centers are planned.

Our *Foremost* tires, batteries and other automotive merchandise are made according to our own rigid specifications and meet the most exacting standards of product quality and excellence. In the past year we introduced our new *Super Cargomaster* truck tire line, and a new premium tire for passenger cars which features a "round shoulder" design for greater safety in cornering.



On hand to greet customers of new Winter Park, Florida, auto center is William M. Batten, Penney's board chairman.

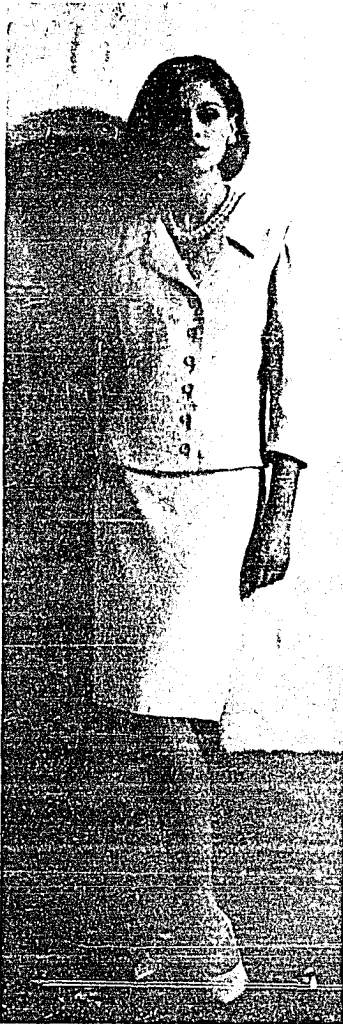


Repair work is done by a skilled mechanic, while customers examine Penney's large selection of automotive items.

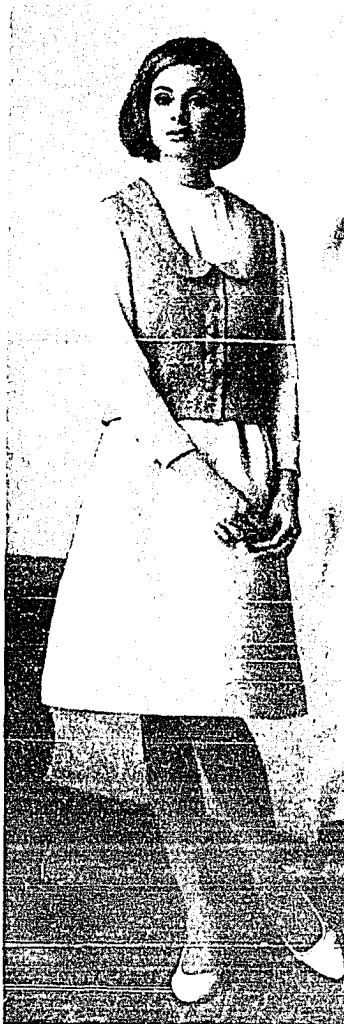


## Mitrou

Actually a Parisian by birth, Mitrou grew up in Tangier and Barcelona, moving to Madrid five years ago. With her husband, Senor Josemaria Isquierdo, she opened a boutique on Madrid's most fashionable street, Serrano; but unable to find the styles she liked, she started designing. Last year, she opened a boutique in Palma de Majorca, found in the Palma discotheques and on the Costa Brava beaches a yearning for the colorful, romantic young fashions she creates.



Fully lined jacket is silk/rayon blend, has asymmetric buttoning, offset over-size pocket, shaped collar. \$19.98.



Demi-fit jacket is textured rayon; gently pleated skirt of ottoman-textured rayon and flax. \$17.98. White blouse, \$7.98.



Jumper in pink and green, fully lined, \$13.98. Blouse, pink and green cotton/linen blend, \$7.98.



Gently shaped collar and fully lined jacket; cotton suede trimmed empire shaped dress, Malaga blue. \$19.98.

## Mary Quant

Originator of the "Chelsea Look," Miss Quant has been acclaimed as one of the most original and exciting English designers of the century.

An ex-art student, she started designing clothes for young Britishers eight years ago. They caught on at once and, according to *Time* magazine, the "Chelsea Revolution... has done more to change the shape of empire than anyone since Wellington."

## FASHIONS FOR YOUNG AMERICA... EXCLUSIVELY AT PENNEY'S

Score another fashion coup for Penney's!

For this spring we present our newest fashion discovery. Mitzou of Madrid interprets Spain's dazzling flair in her first American collection for Penney's exclusively.

Mitzou is the second young designer to be introduced by Penney's. Britain's Mary Quant was the first with the Chelsea Look, dramatized in a collection of coordinates two years ago.

This spring we are proud to present Mary Quant's seventh American collection designed and made exclusively for Penney's as shown in part at right...very casual, very simple, very "in."

All the fashions illustrated are being featured this spring in selected Penney stores and in our Spring & Summer catalog.

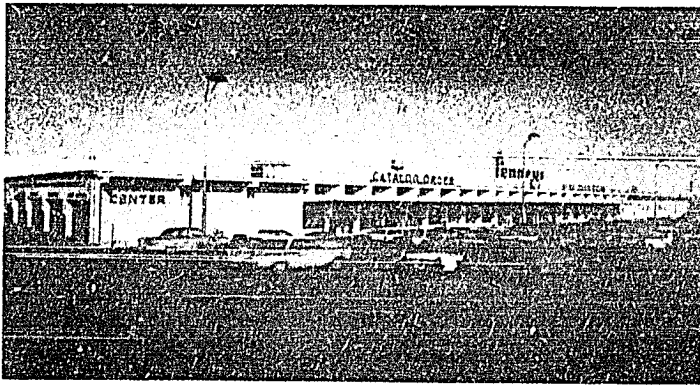


A sleek little skimmer dress in a textured blend of cotton and rayon, check tied and yoked high. Fully lined. \$12.98

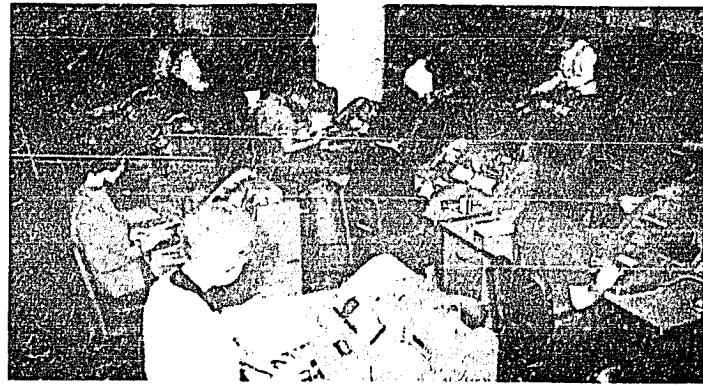


Precise seaming shapes a low-belted jumper, fully lined. Cotton/rayon blend; in pink/aqua. \$12.98. Blouse, .....\$7.98



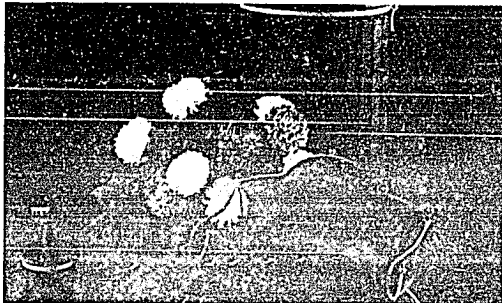


Milwaukee distribution center covers 1.3 million square feet, employs materials-handling system of modern and advanced design.



Key punch operators prepare customers' orders for computer system, operations thereafter are highly automated.

## 405 CATALOG CENTERS IN 12 STATES

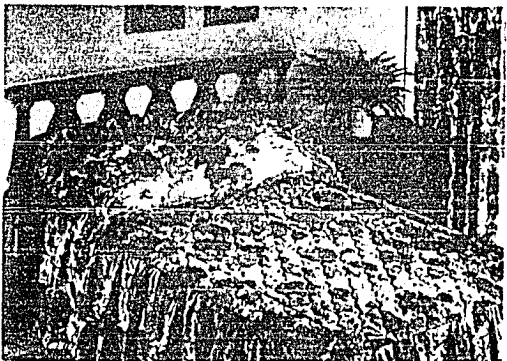
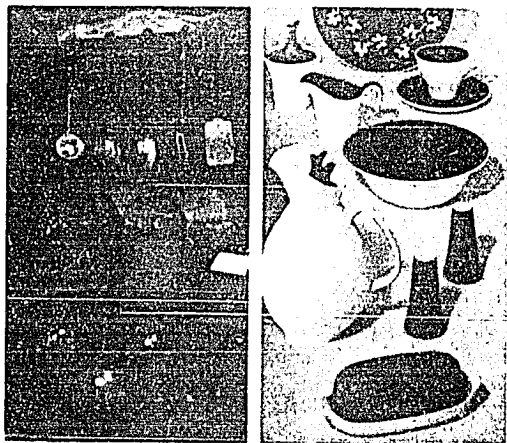
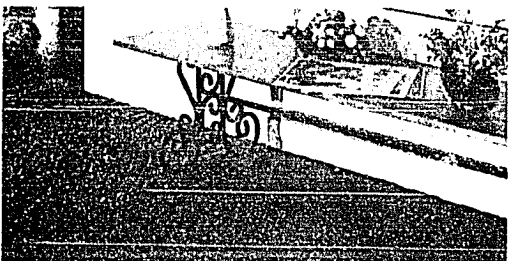
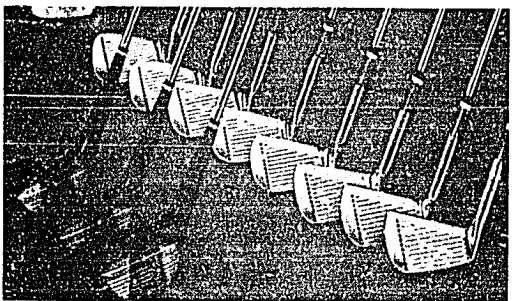
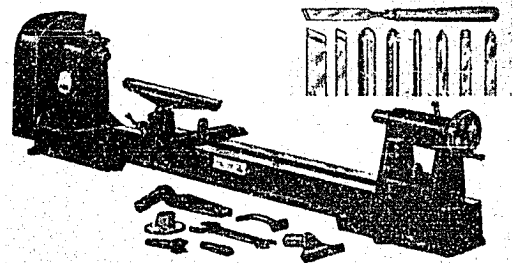
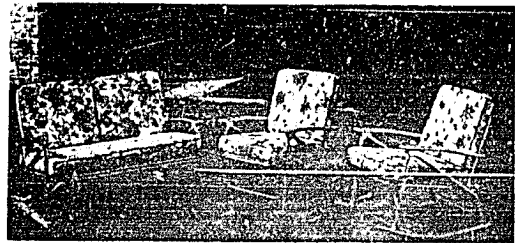


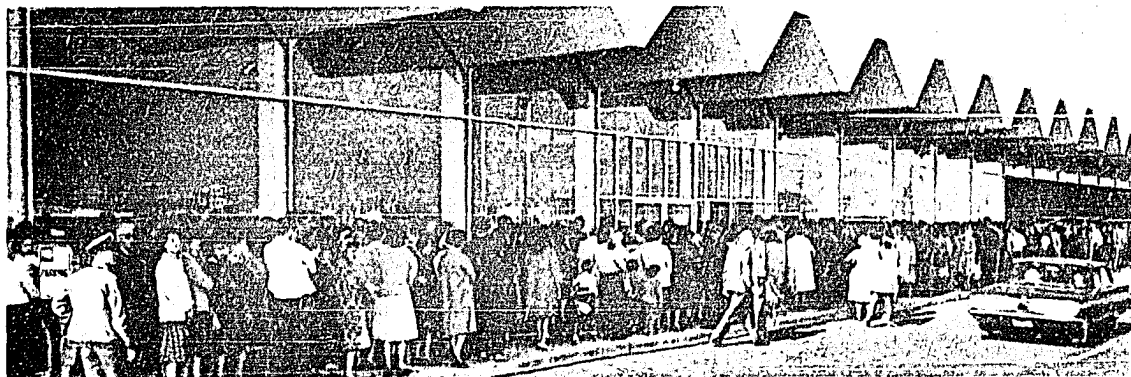
Our catalog sales facilities registered further progress during 1964. 259 catalog desks or "centers" were added in Penney stores, making a total of 405 in operation in 12 states at the year's end.

The states are Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, North and South Dakota, Ohio, Pennsylvania and Wisconsin. Customers receive merchandise within 48-72 hours after placing their orders.

Our Spring & Summer catalog, issued in January, was the fourth full-line catalog to be published since we entered the catalog sales business early in 1962. In addition, a number of tabloid supplements were published, and our first full-line Christmas book was issued last fall.

The Spring & Summer edition this year has a total of 998 pages featuring 65,000 items. *Penncraft* power tools are introduced in a 16-page section. Tents, sleeping bags and outboard motors are listed for the first time.





Eager shoppers were on hand early for the 9 30 a m opening of the three Treasure Island stores.

### 3 NEW TREASURE ISLAND STORES OPEN



Supermarkets proved a hit in all three stores Bakery shops were popular.



15 checkout counters, manned by skilled cashiers, speed service for customers.

Last October 15th could almost be described as Treasure Island day in Milwaukee. On that day Penney's opened three new Treasure Island stores having a total area of 400,000 square feet including free-standing auto centers.

The three stores are identical and have 20,000 square foot supermarkets as part of each operation. They are in addition to two other Treasure Island stores in Appleton and Madison, which have been in operation several years. Each Milwaukee store includes a pharmacy, optical center, beauty salon and garden shop, which are not a part of the Appleton and Madison operations.

The Treasure Island division continues to be Penney's operational research unit, and is well into its third year of serving as an experimental laboratory in many merchandising areas. While there are no plans for further expansion at this time, results are being constantly observed and evaluated.



An optical shop offers expert professional services.

## **REVIEW OF 1964 OPERATIONS**

### **Sales, Earnings at New Peaks**

Your Company achieved new highs in operating performance in 1964.

The \$2,079,425,668 sales figure not only was a record high, it climaxed year-to-year sales gains spanning a full decade. Moreover, the 1964 gain over 1963 was the largest in our history. At \$245,108,141 it exceeded our sales for all of 1935.

Net earnings climbed to a new high of \$68,271,402 or \$2.74 a share, 23.5 per cent higher than last year's record \$55,292,198 or \$2.22 a share.

The ratio of credit sales to total volume continued to move steadily upward as it has since credit selling first was instituted, and particularly since all our nearly 1,700 stores began offering credit three years ago. The percentage of credit business to total sales rose from 27.6 in 1963 to 30.3 in 1964.

### **Dividend Increase Approved**

The board of directors voted to increase the quarterly dividend from 30¢ to 37½¢, effective with the February 1, 1965 payment, which also included a year-end extra of 22½¢. This action raised the indicated annual dividend rate by 15 per cent to \$1.72½ from the

former \$1.50 a share.

### **Tax Rate Reduced**

The Company's net earnings for the year reflect an effective federal income tax rate of 46.6 per cent, compared with 49.7 per cent in 1963. This reduction in tax rate was due in large part to the provisions of the Revenue Act of 1964. Total federal income taxes provided on 1964 income, however, amounted to \$59,602,000 compared to \$54,607,000 in the prior year. This increase in tax, despite the drop in tax rate, resulted from the increase in pre-tax income. Taxes other than federal income taxes were \$25,580,281 against \$23,889,232 the year before.

### **Move to New Building**

The move into our new headquarters building at 1301 Avenue of the Americas, New York City, was completed in December, 1964 and simple dedication ceremonies were held in the lobby of the new building late the following January. We lease 31 floors of the new 45-story building, which is owned by the builders, Uris Buildings Corporation. After January 31, 1965 we sold our former headquarters building at 330 West 34th Street, New York City, which we had occupied since 1926.

### **Self-Insurance Reserves to Retained Earnings**

In keeping with current accounting practice, your Company has transferred to retained earnings the reserves for fire losses and associates' death benefits, as shown in the statement of retained earnings on page 20. Protection against major loss is provided by adequate insurance coverage. The Company self-insures the risk of losses which, in the judgment of the directors, are within its financial capacity.

### **Treasure Island**

#### **Made Penney Division**

The Treasure Island stores were operated and administered by a wholly-owned subsidiary, Mid-West Corporation, until last June, when Mid-West was liquidated by merger into the Penney Company. The operation is being continued as the Treasure Island division of the Penney Company. Jack F. Behrendt, formerly president of Mid-West Corporation, is director of Treasure Island stores.

### **Company Contributes to Penco Plan**

The Company's contribution to the Penco Profit-Sharing Retirement Plan, which is dependent on the Company's earnings, amounted this year to \$11,119,-

426. Benefits payable to Penney associates under the Plan result not only from the Company's contributions but also from substantial associate contributions.

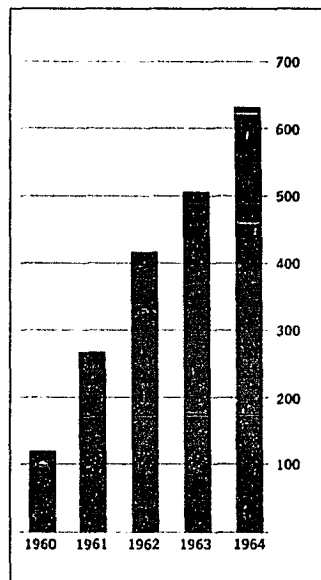
#### **Credit Corporation Formed**

J. C. Penney Credit Corporation was formed in April, 1964 as a wholly-owned subsidiary with an initial capital investment of \$50 million by the Penney Company The Corporation, which is incorporated in Delaware, has its head office at Wilmington. Its purpose is to finance expanding credit sales and resultant receivables of the Penney Company.

Soon after the Credit Corporation was established, it began buying customer receivables from the parent company and started direct sale of short-term notes to investors. Bank lines of credit available to the Corporation and the Penney Company amount to approximately \$200 million.

Last July, the Corporation sold publicly \$50 million of 4½ per cent 20-year debentures. Proceeds of the issue were used to buy additional receivables from the Penney Company and to reduce short-term borrowings. Through the end of fiscal 1964, receivables purchased from the Penney Company by the Credit

**Credit Sales**  
millions of dollars



Corporation since its formation totaled \$614,039,023.

Net earnings after taxes of \$1,185,000 amounted to \$1,193,053 and are included in the reported earnings of the Penney Company.

The Credit Corporation's balance sheet appears on page 21. Also shown is the balance sheet of another wholly-owned subsidiary, J. C. Penney Properties, Inc., which owns certain properties including the Milwaukee distribution center leased to the parent company.

#### **Shifts in Executive Personnel**

William M. Batten, formerly pres-

ident, was elected chairman of the board and continues as chief executive officer. He succeeds Albert W. Hughes who resigned but continues as a director.

Ray H. Jordan, formerly executive vice president, was elected president. Mr. Jordan joined the Company in 1930 and during the last 35 years has served in many responsible positions including store manager, district manager, zone manager, treasurer, and vice president and director of personnel.

Kenneth S. Axelson, vice president and director of finance, was elected to the board of directors. His election filled the vacancy created by the resignation from the board of Frederick L. Finnegan, formerly vice president and general manager, catalog and Treasure Island activities. Mr. Finnegan retired last November after 29 years with the Company.

Donald V. Seibert, formerly director of planning and research, was named director of catalog sales and operations. He succeeded Lester O. Naylor, who resigned to become president of another retailing concern. Mr. Seibert joined Penney's in 1947 and has served in various capacities including store manager and district manager



## BALANCE SHEET

January 31		
ASSETS	1965	1964
Current assets		
Cash . . . . .	\$ 44,145,563	\$ 36,982,088
Receivables, less allowance for doubtful accounts of \$12,043,503 and \$9,462,649 . . . . .	294,762,969	226,869,717
Deduct portion sold to J. C. Penney Credit Corporation, less 5% withheld pending collection . . . . .	187,998,214	—
	106,764,755	226,869,717
Merchandise, at lower of cost or market determined mainly by the retail method . . . . .	310,620,911	285,310,602
Prepaid expenses . . . . .	9,391,124	7,741,305
Total current assets . . . . .	470,922,353	556,903,712
Subsidiary companies, at equity in net assets (note 1) . . . . .	60,730,468	8,215,115
Property and equipment, at cost.		
Land . . . . .	4,045,407	3,560,367
Buildings, less depreciation of \$5,805,191 and \$5,531,044 . . . . .	14,327,953	7,182,631
Furniture and fixtures, less depreciation of \$97,529,395 and \$91,632,557 . . . . .	84,275,171	77,214,198
Improvements to leaseholds, less amortization of \$5,179,932 and \$5,082,233 . . . . .	9,504,344	6,108,038
	112,152,875	94,065,234
Deferred charges . . . . .	1,973,898	1,879,772
	\$645,779,594	\$661,063,833

### NOTES TO FINANCIAL STATEMENTS

1. The Company's net equity in its subsidiaries is comprised of J. C. Penney Credit Corporation \$51,193,053 (incorporated April 13, 1964) and J. C. Penney Properties, Inc. \$9,537,415, both of which derive substantially all their revenues from the J. C. Penney Company. The financial statements for the preceding year ended January 31, 1964 included the accounts of Mid-West Corporation, a wholly-owned retail subsidiary which was merged into the Company in June 1964.

2. Of the 16,202 shares of unissued common stock reserved at February 1, 1964 for stock options granted in connection with an acquisition in 1962, options for

**BALANCE SHEET**

January 31

LIABILITIES	1965	1964
Current liabilities		
Notes payable . . . . .	\$ —	\$ 79,024,000
Accounts payable and accrued liabilities . . . . .	152,021,618	127,286,534
Dividends payable in February . . . . .	14,968,275	14,958,778
Provision for Federal taxes on income . . . . .	35,283,610	39,112,896
Total current liabilities . . . . .	202,273,503	260,382,208
Deferred Federal taxes on income, \$33,900,000 applicable to installment sales and \$8,500,000 to depreciation . . . . .	42,400,000	29,830,000
Reserves for fire losses and associates' death benefits . . . . .	—	6,708,185
Stockholders' equity (note 2)		
Common stock—par value \$1 00		
Authorized, 27,000,000 shares		
Outstanding, 24,947,126 shares	39,341,750	38,686,696
Retained earnings . . . . .	361,764,341	325,456,744
Total stockholders' equity . . . . .	401,106,091	364,143,440
	<u>\$645,779,594</u>	<u>\$661,063,833</u>

15,829 shares were exercised during the year ended January 31, 1965. The remaining options covering 373 shares are exercisable on or before May 16, 1971.

3. Rent expense for the year ended January 31, 1965 includes approximately \$47,000,000 applicable to leases expiring after three years. Total minimum annual rentals payable under such leases amount to approximately \$22,000,000, exclusive of additional rentals based on percentages of sales under certain leases. Leases covering approximately 65% of the total minimum amount will expire at various dates during the next twenty years.

# J. C. PENNEY COMPANY

## STATEMENT OF EARNINGS

	Year Ended January 31	
	1965	1964
Sales . . . . .	\$2,079,425,668	\$1,834,317,527
Deduct.		
Cost of merchandise sold, and selling and general expenses . . . . .	1,886,499,492	1,666,218,091
Maintenance and repairs . . . . .	5,678,575	4,797,421
Depreciation and amortization . . . . .	16,539,896	15,365,358
Interest expense . . . . .	8,548,332	4,615,288
Company contribution to retirement plan . . . . .	11,119,426	9,556,661
Taxes, other than Federal taxes on income . . . . .	25,580,281	23,889,232
Provision for Federal taxes on income . . . . .	58,400,000	54,600,000
	2,012,366,002	1,779,042,051
Earnings before subsidiary companies . . . . .	67,059,666	55,275,476
Net earnings of subsidiary companies (principally J. C. Penney Credit Corporation) after Federal taxes on income of \$1,202,000 . . . . .	1,211,736	16,722
Net earnings for the year . . . . .	\$ 68,271,402	\$ 55,292,198

## STATEMENT OF RETAINED EARNINGS

Balance at beginning of year . . . . .	\$ 325,456,744	\$ 307,556,314
Net earnings for the year . . . . .	68,271,402	55,292,198
Special credit—self-insurance reserves transferred to retained earnings . . . . .	5,443,031	—
Deduct dividends—\$1.50 per share . . . . .	37,406,836	37,391,768
Retained earnings at end of year . . . . .	\$ 361,764,341	\$ 325,456,744

(See accompanying notes to financial statements on pages 18 and 19)

## ACCOUNTANTS' REPORT

To the Stockholders and the Board of Directors  
J. C. Penney Company:

We have examined the balance sheet of J. C. Penney Company as of January 31, 1965 and the related statements of earnings and retained earnings for the year then ended. We have also examined the balance sheets of J. C. Penney Credit Corporation and J. C. Penney Properties, Inc. as of January 31, 1965. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of J. C. Penney Company at January 31, 1965 and the results of its operations for the year then ended, and the financial position of J. C. Penney Credit Corporation and J. C. Penney Properties, Inc. at January 31, 1965, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.  
March 23, 1965

PEAT, MARWICK, MITCHELL & CO.  
Certified Public Accountants



# BALANCE SHEETS OF SUBSIDIARY COMPANIES

JANUARY 31, 1965

## J. C. PENNEY CREDIT CORPORATION

### ASSETS

#### Current assets:

Customer receivables purchased from J. C. Penney Company, less 5% withheld pending collection . . . . .	\$187,998,214
Cash . . . . .	1,016,661
Prepaid interest and other expenses . . . . .	331,907
Total current assets . . . . .	189,346,782
Leasehold improvement and furniture . . . . .	13,992
Unamortized debenture discount and expense . . . . .	1,006,672
Unamortized organization expense . . . . .	54,951
	<u>\$190,422,397</u>

### LIABILITIES

#### Current liabilities:

Notes payable . . . . .	\$ 85,934,500
Accrued interest and other liabilities . . . . .	292,041
Provision for Federal taxes on income . . . . .	718,560
Total current liabilities . . . . .	86,945,101

#### Long-term debt

4½% debentures due July 1, 1984 . . . . .	50,000,000
Unearned discount on receivables purchased . . . . .	2,284,243

#### Equity of J. C. Penney Company:

Common stock, \$100 par value.	
Authorized 750,000 shares; outstanding 500,000 shares . . . . .	50,000,000
Net earnings from date of incorporation, April 13, 1964 . . . . .	1,193,053
	<u>51,193,053</u>
	<u>\$190,422,397</u>

## J. C. PENNEY PROPERTIES, INC.

### ASSETS

Cash . . . . .	\$ 50,377
Prepaid expenses . . . . .	9,602
Land, at cost . . . . .	1,613,666
Building, at cost, less depreciation of \$589,811 . . . . .	8,140,838
	<u>\$ 9,814,483</u>

### LIABILITIES

Accounts payable and accrued liabilities . . . . .	\$ 260,020
Provision for Federal taxes on income . . . . .	17,048
	<u>277,068</u>

#### Equity of J. C. Penney Company:

Common stock, \$100 par value, authorized and outstanding 100 shares. . . . .	45,460
Advance . . . . .	9,456,550
Retained earnings:	
Balance at beginning of year . . . . .	\$16,722
Net earnings for the year . . . . .	<u>18,683</u>
	<u>35,405</u>
	<u>9,537,415</u>
	<u>\$ 9,814,483</u>



## 10-YEAR FINANCIAL REVIEW

Year†	1964	1963	1962	1961
<b>RESULTS FOR YEAR</b>				
Sales	\$ 2,079,425,668	1,834,317,527	1,701,332,645	1,553,505,660
Earnings before federal taxes				
Parent	\$ 125,459,666	109,875,476	114,404,070	107,638,552
Unconsolidated subsidiaries	\$ 2,413,736	23,722	—	—
Total	\$ 127,873,402	109,899,198	114,404,070	107,638,552
Per cent of sales	% 6.15	5.99	6.72	6.93
Earnings after federal taxes				
Amount	\$ 68,271,402	55,292,198	54,804,070	51,738,552
Per share*	\$ 2.74	2.22	2.20	2.10
Per cent of sales	% 3.28	3.01	3.22	3.33
Dividends				
Amount	\$ 37,406,836	37,391,768	37,386,567	37,043,784
Per share*	\$ 1.50	1.50	1.50	1.50
Increase in retained earnings	\$ 36,307,597	17,900,430	17,417,503	14,694,768
Depreciation and amortization	\$ 16,539,896	15,365,358	14,961,559	13,793,559
Capital expenditures	\$ 39,835,780	19,966,950	18,549,440	18,195,230
Credit sales per cent of total sales	% 30.3	27.6	24.7	17.1
<b>END OF YEAR</b>				
Customer receivables (net)				
Parent	\$ 101,080,971	224,789,049	168,659,516	97,722,383
Unconsolidated subsidiary	\$ 187,998,214	—	—	—
Total stockholders' equity	\$ 401,106,091	364,143,440	346,061,271	323,014,262
Number of stockholders	51,580	47,863	45,315	41,748
Number of catalog desks	405	146	21	—
Number of stores	1,676	1,680	1,685	1,686

\* Figures based on shares outstanding at each year end.  
Prior years adjusted for 3 for 1 split in May, 1960.

† Years 1955 through 1957 are calendar years, 1958 is the thirteen month period ended January 31, 1959.  
All other years are fiscal years ended January 31 of the subsequent year.

# J. C. PENNEY COMPANY

## 10-YEAR FINANCIAL REVIEW

1960	1959	1958	1957	1956	1955
1,468,917,982	1,437,489,357	1,409,972,649	1,312,278,407	1,291,867,267	1,220,085,325
94,094,095	108,023,734	95,376,831	102,560,891	97,130,721	95,739,608
—	—	—	—	—	—
94,094,095	108,023,734	95,376,831	102,560,891	97,130,721	95,739,608
6.40	7.51	6.76	7.82	7.52	7.85
44,994,095	51,523,734	46,876,831	49,410,891	46,780,721	46,139,608
1.82	2.09	1.90	2.00	1.89	1.87
3.06	3.58	3.32	3.77	3.62	3.78
37,043,784	33,339,405	34,985,796	34,985,796	34,985,796	32,516,210
1.50	1.35	1.42	1.42	1.42	1.32
7,950,311	18,184,329	11,891,035	14,425,095	11,794,925	13,623,398
12,537,040	11,527,181	11,790,207	10,062,449	8,783,512	7,033,718
20,201,386	15,918,373	16,392,361	12,470,143	15,986,374	15,029,466
8.5	2.8	.3	—	—	—
52,208,936	19,393,451	2,658,177	—	—	—
—	—	—	—	—	—
308,319,494	300,369,182	282,184,854	270,293,818	255,868,723	244,073,797
39,136	34,766	33,997	33,720	31,695	30,019
—	—	—	—	—	—
1,695	1,683	1,687	1,694	1,687	1,666

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## **DIRECTORS**

Kenneth S. Axelson  
Fred A. Bantz  
William M. Batten  
Albert W. Hughes  
Ray H. Jordan  
William L. Marshall  
Everett L. Moore  
J. C. Penney  
Wellington Powell  
Earl A. Ross  
Frederick R. Seltzer  
Howard C. Sheperd  
Cecil L. Wright

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## **OFFICERS**

William M. Batten  
*Chairman of the Board*

Ray H. Jordan  
*President*

Kenneth S. Axelson  
*Vice President and Director  
of Finance*

William L. Marshall  
*Vice President and Director  
of Stores*

Everett L. Moore  
*Vice President and Director  
of Real Estate and Store Planning*

Frederick R. Seltzer  
*Vice President and Director  
of Personnel*

Cecil L. Wright  
*Vice President and General Sales  
and Merchandise Manager*

Robert L. Adair  
*Controller*

Arthur Jacobsen  
*Treasurer*

Charles T. Stewart  
*Secretary and General Counsel*

Eric L. Ericson  
*Assistant Controller*

John F. Wood  
*Assistant Controller*

Albert W. Driver, Jr.  
*Assistant Secretary and  
Assistant General Counsel*

Elting H. Smith  
*Assistant Secretary*

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## **TRANSFER AGENT**

Chemical Bank  
New York Trust Company  
20 Pine Street  
New York, New York 10015

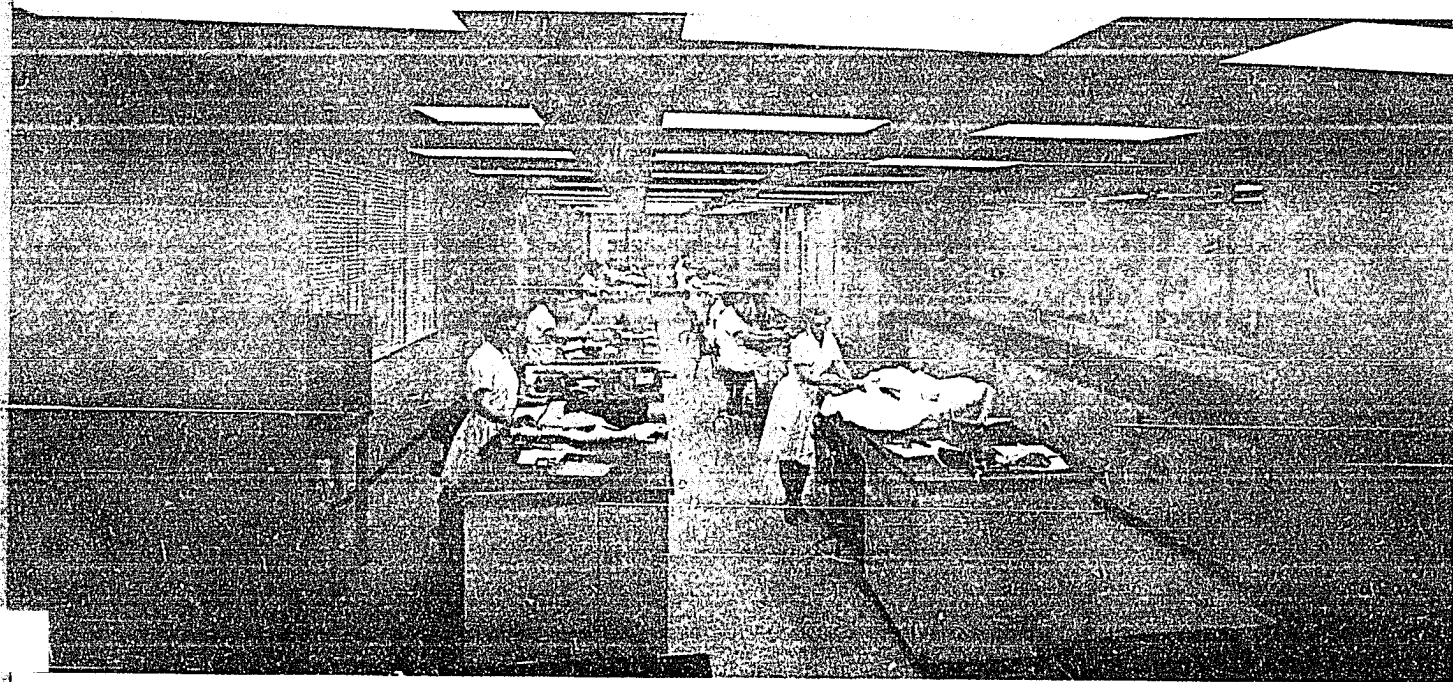
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## **REGISTRAR**

The Chase Manhattan Bank  
1 Chase Manhattan Plaza  
New York, New York 10015

### **ANNUAL MEETING**

*The annual meeting of stockholders will be held at 10 a.m. Tuesday, May 18, 1965 in the Trianon Ballroom, New York Hilton Hotel, 1335 Avenue of the Americas, New York, N.Y. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 9. Your prompt attention to the proxy statement will be greatly appreciated.*



**BUYING AND TESTING AMONG VARIED  
ACTIVITIES IN NEW PENNEY BUILDING**

*Making sure that Penney stores receive the latest fashion apparel fast is the purpose of Wednesday meetings such as the one above between members of Penney's buying and distribution staffs.*

*At the Testing Center, which occupies the entire 12th floor, there is an amazing array of machines to test merchandise ranging from wearing apparel to television sets. One room can produce either Arctic or tropical weather, and a machine dubbed a "waffle iron" can exert a push—or pull—up to 120,000 pounds.*